

**WEST BEND-MALLARD COMMUNITY SCHOOL DISTRICT
MALLARD, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

YEAR ENDED JUNE 30, 2004

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**West Bend-Mallard Community School District
Mallard, Iowa**

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Linda Friedow	President	2003
Peter Nessen	Vice President	2004
Pat Madsen	Board Member	2005
Charles Wirtz	Board Member	2005
Marvin Fehr	Board Member	2004
Vera Banwart	Board Member	2005
Eugene Ruppert	Board Member	2004

**Board of Education
(After September 2003 Election)**

Peter Nessen	President	2004
Pat Madsen	Vice President	2005
Marvin Fehr	Board Member	2004
Eugene Ruppert	Board Member	2004
Vera Banwart	Board Member	2006
Doug Schwartzkopf	Board Member	(Resigned) 2006
Charles Wirtz	Board Member	2005
Tim Bruns	Board Member	(Appointed) 2006

School Officials

John Phillip	Superintendent	2004
Barbara Zech	District Secretary/Treasurer and Business Manager	2004
Rick Engel	Attorney	2004

Independent Auditor's Report

To the Board of Education of
West Bend-Mallard Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Bend-Mallard Community School District, Mallard, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Bend-Mallard Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, West Bend-Mallard Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated September 2, 2004 on our consideration of West Bend-Mallard Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 45 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Bend-Mallard Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which is presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CORNWELL & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

September 2, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Bend-Mallard Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,559,367 in fiscal 2003 to \$3,392,775 in fiscal 2004, while General Fund expenditures increased from \$3,356,408 in fiscal 2003 to \$3,411,391 in fiscal 2004. The District's General Fund balance decreased from \$355,476 in fiscal 2003 to \$342,379 fiscal 2004, a 3% decrease.
- The decrease in General Fund revenues was attributable to a decrease in property tax and state and federal grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2004. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Bend-Mallard Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Bend-Mallard Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Bend-Mallard Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency funds.

- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004.

Figure A-3			
Condensed Statement of Net Assets			
(Expressed in Thousands)			
	Governmental	Business type	Total
	Activities	Activities	District
	June 30,	June 30,	June 30,
	2004	2004	2004
Current and other assets	\$ 3,769	67	3,836
Capital assets	1,175	18	1,193
Total assets	4,944	85	5,029
Long-term liabilities	143	---	143
Other liabilities	2,891	9	2,900
Total liabilities	3,034	9	3,043
Net assets:			
Invested in capital assets, net of related debt	1,065	18	1,083
Restricted	419	---	419
Unrestricted	426	58	484
Total net assets	\$ 1,910	76	1,986

The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$44,000 or 11% from the prior year. The decrease was primarily a result of increased expenditures in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$7,000 or 1%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

Figure A-4			
Changes in Net Assets			
(Expressed in Thousands)			
	<u>Governmental</u>	<u>Business type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>District</u>
Revenues:			
Program revenues:			
Charges for service	\$ 462	77	539
Operating grants, contributions and restricted interest	418	75	493
Capital grants, contributions and restricted interest	17	---	17
General revenues:			
Property tax	1,968	---	1,968
Local option sales and service tax	15	---	15
Income surtax	196	---	196
Unrestricted grants	952	---	952
Unrestricted investment earnings	17	---	17
Other	9	---	9
Total revenues	<u>4,054</u>	<u>152</u>	<u>4,206</u>
Program expenses:			
Governmental activities:			
Instruction	2,342	---	2,342
Support services	1,192	---	1,192
Non-instructional programs	20	148	168
Other expenses	463	---	463
Total expenses	<u>4,017</u>	<u>148</u>	<u>4,165</u>
Change in net assets	\$ 37	4	41

Property tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,054,562 and expenses were \$4,017,327.

Business Type Activities

Revenues for business type activities were \$152,671 and expenses were \$148,310. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Bend-Mallard Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$781,102 below last year's ending fund balances of \$823,209.

Governmental Fund Highlights

- The General Fund balance decreased from \$355,476 to \$342,379, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$177,774 in fiscal 2003 to \$125,598 in fiscal 2004. Revenues decreased \$77,780 due to the fact federal funding decreased \$83,583. Expenditures also decreased \$65,362.
- The Capital Projects Fund balance increased due to the imposition of the local option sales and services tax.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$72,047 at June 30, 2003 to \$76,408 at June 30, 2004, representing an increase of approximately 6%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$65,365 more than budgeted receipts, a variance of 1%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$214,848.

The original cost of the District's capital assets was \$5.8 million.

Figure A-6			
Capital Assets, net of Depreciation			
(Expressed in Thousands)			
	Governmental	Business type	Total
	Activities	Activities	District
	June 30,	June 30,	June 30,
	2004	2004	2004
Land	\$ 4	---	4
Buildings	821	---	821
Improvements other than buildings	5	---	5
Furniture and equipment	345	18	363
Totals	\$ 1,175	18	1,193

Long-Term Debt

At June 30, 2004, the District had \$143,499 in general obligation, and other long-term debt outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7	
Outstanding Long-Term Obligations	
(Expressed in Thousands)	
	Total
	District
	June 30,
	2004
General obligation bonds	\$ 110
Early retirement	33
Total	143

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced declining enrollment for the past six years, but the rate of decline was much smaller this year.
- The West Bend-Mallard Facilities Planning and Advisory Committee was started and it met throughout the spring and summer. The committee worked conscientiously to develop recommendations that were identified through the steps of the planning process. Consensus was reached that West Bend-Mallard needed additional facilities space for science and vocational programs at the high school. Also, it needed to provide school community programs support and access, and it needed to update the technology facilities.
- Next year, 2004-2005, is the final year of the only bonded indebtedness that the District has.
- During this year, 2003-2004, local option tax elections were passed in Palo Alto and Pocahontas counties. The future yearly revenue from these two elections, added to the previous election in Kossuth County, will raise approximately \$130,000 each year. Funds from this local option sales tax will be used to upgrade technology in the District and to pay for part of the additional facilities.
- The District bargains each year with the West Bend-Mallard Education Teachers Association. The settlements for 2003-2004 exceeded the cost of the new money awarded to the District. Health insurance makes up a large part of the expense in the 2003-2004 settlement. The 25% increase in health insurance for the 2003-2004 year follows a long trend of double-digit insurance increases.

Basic Financial Statements

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit A

Statement of Net Assets

June 30, 2004

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents:			
ISCAP	\$ 629,670	-	629,670
Other	1,063,241	57,580	1,120,821
Receivables:			
Property tax:			
Delinquent	43,630	-	43,630
Succeeding year	1,880,000	-	1,880,000
Accounts	400	-	400
Accrued interest:			
ISCAP	1,090	-	1,090
Other	1,998	-	1,998
Due from other governments	148,612	-	148,612
Interfund balances	312	(312)	-
Inventories	-	10,126	10,126
Capital assets, net of accumulated depreciation	1,175,671	17,863	1,193,534
Total assets	<u>4,944,624</u>	<u>85,257</u>	<u>5,029,881</u>
Liabilities			
Accounts payable	53,135	-	53,135
Salaries and benefits payable	319,367	8,849	328,216
Early retirement payable	4,045	-	4,045
Deferred revenue - succeeding year property tax	1,880,000	-	1,880,000
ISCAP warrants payable	626,000	-	626,000
ISCAP accrued interest payable	8,534	-	8,534
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	110,000	-	110,000
Early retirement payable	19,603	-	19,603
Portion due after one year:			
Early retirement payable	13,896	-	13,896
Total liabilities	<u>3,034,580</u>	<u>8,849</u>	<u>3,043,429</u>

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit A

Statement of Net Assets

June 30, 2004

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Net assets			
Invested in capital assets, net of related debt	1,065,671	17,863	1,083,534
Restricted for:			
Management levy	226,526	-	226,526
Physical plant and equipment levy	125,598	-	125,598
Other special revenue purposes	64,733	-	64,733
Unrestricted	427,516	58,545	486,061
Total net assets	<u>\$ 1,910,044</u>	<u>76,408</u>	<u>1,986,452</u>

See notes to financial statements.

West Bend-Mallard Community School District
Mallard, Iowa
Statement of Activities
Year ended June 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,235,682	223,278	177,469	4,445
Special instruction	494,345	17,585	99,527	-
Other instruction	612,317	219,061	12,573	-
	<u>2,342,344</u>	<u>459,924</u>	<u>289,569</u>	<u>4,445</u>
Support services:				
Student services	71,936	-	-	-
Instructional staff services	144,404	-	-	12,595
Administration services	507,787	-	-	-
Operation and maintenance of plant services	298,720	1,732	-	-
Transportation services	158,513	100	10,667	-
Central support services	10,668	-	-	-
	<u>1,192,028</u>	<u>1,832</u>	<u>10,667</u>	<u>12,595</u>
Non-instructional programs	<u>19,578</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	125,072	-	-	-
Long-term debt interest	9,120	-	-	-
AEA flowthrough	117,538	-	117,538	-
Depreciation (unallocated)*	211,647	-	-	-
	<u>463,377</u>	<u>-</u>	<u>117,538</u>	<u>-</u>
Total governmental activities	4,017,327	461,756	417,774	17,040
Business type activities:				
Non-instructional programs:				
Food service operations	148,310	77,307	75,196	-
Total	<u>\$ 4,165,637</u>	<u>539,063</u>	<u>492,970</u>	<u>17,040</u>
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Local option sales and services tax				
Income surtax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year, as restated				
Net assets end of year				

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(830,490)	-	(830,490)
(377,233)	-	(377,233)
(380,683)	-	(380,683)
<u>(1,588,406)</u>	<u>-</u>	<u>(1,588,406)</u>
(71,936)	-	(71,936)
(131,809)	-	(131,809)
(507,787)	-	(507,787)
-	-	-
(296,988)	-	(296,988)
(147,746)	-	(147,746)
(10,668)	-	(10,668)
<u>(1,166,934)</u>	<u>-</u>	<u>(1,166,934)</u>
<u>(19,578)</u>	<u>-</u>	<u>(19,578)</u>
<u>(125,072)</u>	<u>-</u>	<u>(125,072)</u>
<u>(9,120)</u>	<u>-</u>	<u>(9,120)</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>(211,647)</u>	<u>-</u>	<u>(211,647)</u>
<u>(345,839)</u>	<u>-</u>	<u>(345,839)</u>
<u>(3,120,757)</u>	<u>-</u>	<u>(3,120,757)</u>
<u>-</u>	<u>4,193</u>	<u>4,193</u>
<u>(3,120,757)</u>	<u>4,193</u>	<u>(3,116,564)</u>
\$ 1,753,798	-	<u>1,753,798</u>
113,804	-	113,804
100,652	-	100,652
14,796	-	14,796
195,704	-	195,704
952,792	-	952,792
17,588	168	17,756
8,858	-	8,858
<u>3,157,992</u>	<u>168</u>	<u>3,158,160</u>
37,235	4,361	41,596
1,872,809	72,047	1,944,856
<u>\$ 1,910,044</u>	<u>76,408</u>	<u>1,986,452</u>

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets					
Cash and pooled investments:					
ISCAP	\$ 629,670	-	-	-	629,670
Other	599,148	4,108	11,609	448,376	1,063,241
Receivables:					
Property tax:					
Delinquent	36,827	2,962	-	3,841	43,630
Succeeding year	1,606,000	115,000	-	159,000	1,880,000
Accounts	400	-	-	-	400
Accrued interest:					
ISCAP	1,090	-	-	-	1,090
Other	1,998	-	-	-	1,998
Due from other funds	-	-	603	9,353	9,956
Due from other governments	146,028	-	2,584	-	148,612
Total assets	<u>\$ 3,021,161</u>	<u>122,070</u>	<u>14,796</u>	<u>620,570</u>	<u>3,778,597</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 12,599	-	-	40,536	53,135
Salaries and benefits payable	319,235	-	-	132	319,367
Early retirement payable	-	-	-	4,045	4,045
Due to other funds	9,644	-	-	-	9,644
ISCAP warrants payable	626,000	-	-	-	626,000
ISCAP accrued interest payable	8,534	-	-	-	8,534
Deferred revenue:					
Succeeding year property tax	1,606,000	115,000	-	159,000	1,880,000
Other	96,770	-	-	-	96,770
Total liabilities	<u>2,678,782</u>	<u>115,000</u>	<u>-</u>	<u>203,713</u>	<u>2,997,495</u>
Fund balances:					
Reserved for teacher mentoring	2,306	-	-	-	2,306
Reserved for debt service	-	7,070	-	-	7,070
Unreserved	340,073	-	14,796	416,857	771,726
Total fund balances	<u>342,379</u>	<u>7,070</u>	<u>14,796</u>	<u>416,857</u>	<u>781,102</u>
Total liabilities and fund balances	<u>\$ 3,021,161</u>	<u>122,070</u>	<u>14,796</u>	<u>620,570</u>	<u>3,778,597</u>

See notes to financial statements.

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (page 18)	\$ 781,102
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*Amounts reported for governmental activities in the
Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,175,671
--	-----------

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	96,770
---	--------

Long-term liabilities, including bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(143,499)</u>
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Net assets of governmental activities (page 15)	<u>\$ 1,910,044</u>
--	----------------------------

See notes to financial statements.

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 1,733,066	113,804	14,796	220,318	2,081,984
Tuition	246,565	-	-	-	246,565
Other	30,138	240	-	210,185	240,563
State sources	1,238,049	64	-	91	1,238,204
Federal sources	144,957	-	-	-	144,957
Total revenues	<u>3,392,775</u>	<u>114,108</u>	<u>14,796</u>	<u>430,594</u>	<u>3,952,273</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,221,232	-	-	28,722	1,249,954
Special instruction	494,345	-	-	-	494,345
Other instruction	412,731	-	-	199,586	612,317
	<u>2,128,308</u>	<u>-</u>	<u>-</u>	<u>228,308</u>	<u>2,356,616</u>
Support services:					
Student services	71,918	-	-	18	71,936
Instructional staff services	144,383	-	-	21	144,404
Administration services	507,033	-	-	754	507,787
Operation and maintenance of plant services	262,615	-	-	36,105	298,720
Transportation services	149,376	-	-	9,137	158,513
Central support services	10,668	-	-	-	10,668
	<u>1,145,993</u>	<u>-</u>	<u>-</u>	<u>46,035</u>	<u>1,192,028</u>
Non-instructional programs	<u>19,552</u>	<u>-</u>	<u>-</u>	<u>26</u>	<u>19,578</u>
Other expenditures:					
Facilities acquisition	-	-	-	200,019	200,019
Long-term debt:					
Principal	-	105,000	-	-	105,000
Interest and fiscal charges	-	9,120	-	-	9,120
AEA flowthrough	117,538	-	-	-	117,538
	<u>117,538</u>	<u>114,120</u>	<u>-</u>	<u>200,019</u>	<u>431,677</u>
Total expenditures	<u>3,411,391</u>	<u>114,120</u>	<u>-</u>	<u>474,388</u>	<u>3,999,899</u>
Excess (deficiency) of revenues over (under) expenditures	(18,616)	(12)	14,796	(43,794)	(47,626)
Other financing sources (uses):					
Sale of fixed assets	<u>5,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,519</u>
Net change in fund balances	(13,097)	(12)	14,796	(43,794)	(42,107)
Fund balances beginning of year, as restated (note 10)	<u>355,476</u>	<u>7,082</u>	<u>-</u>	<u>460,651</u>	<u>823,209</u>
Fund balances end of year	<u>\$ 342,379</u>	<u>7,070</u>	<u>14,796</u>	<u>416,857</u>	<u>781,102</u>

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2004

Net change in fund balances - total governmental funds (page 20) **\$ (42,107)**

***Amounts reported for governmental activities in the
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 74,947	
Depreciation expense	<u>(211,647)</u>	(136,700)

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.

96,770

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid	105,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>14,272</u>
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Change in net assets of governmental activities (page 17) **\$ 37,235**

See notes to financial statements.

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2004

School
Nutrition

Assets

Cash and cash equivalents	\$ 57,580
Inventories	10,126
Capital assets, net of accumulated depreciation	<u>17,863</u>
Total assets	<u>85,569</u>

Liabilities

Due to other funds	312
Salaries and benefits payable	<u>8,849</u>
Total liabilities	<u>9,161</u>

Net Assets

Invested in capital assets, net of related debt	17,863
Unrestricted	<u>58,545</u>
Total net assets	<u>\$ 76,408</u>

See notes to financial statements

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2004

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ <u>77,307</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	69,052
Purchased services	310
Supplies	75,747
Depreciation	<u>3,201</u>
Total operating expenses	<u>148,310</u>
Operating loss	<u>(71,003)</u>
Non-operating revenues:	
State sources	2,481
Federal sources	72,715
Interest income	<u>168</u>
Total non-operating revenues	<u>75,364</u>
Change in net assets	4,361
Net assets beginning of year	<u>72,047</u>
Net assets end of year	<u><u>\$ 76,408</u></u>

See notes to financial statements.

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2004

School
Nutrition

Cash flows from operating activities:

Cash received from sale of lunches and breakfasts	\$ 77,307
Cash paid to employees for services	(68,618)
Cash paid to suppliers for goods or services	<u>(59,991)</u>
Net cash used by operating activities	<u>(51,302)</u>

Cash flows from non-capital financing activities:

State grants received	2,481
Federal grants received	<u>56,768</u>
Net cash provided by non-capital financing activities	<u>59,249</u>

Cash flows from capital and related financing activities:

Acquisition of capital assets	<u>(951)</u>
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Cash flows from investing activities:

Interest on investments	<u>168</u>
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Net increase in cash and cash equivalents 7,164

Cash and cash equivalents beginning of year 50,416

Cash and cash equivalents end of year \$ 57,580

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2004

School
Nutrition

**Reconciliation of operating loss to net cash used by
operating activities:**

Operating loss	\$ (71,003)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	15,947
Depreciation	3,201
Decrease in inventories	119
Increase in salaries and benefits payable	<u>434</u>
Net cash used by operating activities	<u>\$ (51,302)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$15,947 of federal commodities.

See notes to financial statements.

West Bend-Mallard Community School District
Mallard, Iowa

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2004

Agency

Assets

Cash and pooled investments \$ 16,328

Total assets 16,328

Liabilities

Other payables 16,328

Total liabilities 16,328

Net assets \$ -

See notes to financial statements.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

West Bend-Mallard Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of West Bend and Mallard, Iowa, and the predominate agricultural territory in Palo Alto, Kossuth, Pocahontas and Humboldt counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Bend-Mallard Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability to the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The West Bend-Mallard Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Palo Alto and Kossuth County Assessor's Conference boards.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2004

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2004

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2004

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are

reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2004

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Non-negotiable certificates of deposit are stated at cost.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2004

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2004

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-50
Improvements other than buildings	15-20
Furniture and equipment	5-10

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2004

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave benefits payable to employees. Vacation must be used by June 30th of each year and sick leave does not vest, therefore, no liability has been recorded for these amounts.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2004

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the other expenditures functional area exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District has no investments at or during the year ended June 30, 2004 and invested its excess cash in money market checking and savings accounts and certificates of deposit.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2004

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Physical Plant and Equipment Levy	\$ 6,942
Special Revenue: Physical Plant and Equipment Levy	General Enterprise: Nutrition Fund	9,667 312
Capital Projects	Special Revenue: Physical Plant and Equipment Levy	603
Special Revenue: Management Levy	General	6,919

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2004

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1/30/04	1/28/05	\$ 200,356	1,090	199,000	2,612
2004-05A	6/30/04	6/28/05	<u>429,314</u>	<u>---</u>	<u>427,000</u>	<u>5,922</u>
Total			<u>\$ 629,670</u>	<u>1,090</u>	<u>626,000</u>	<u>8,534</u>

The District pledges its state foundation aid payments and General Fund receipts as security

for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity during the year ended June 30, 2004.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04B	2.00%	1.310%
2004-05A	2.00	1.403

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2004

(5) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, as restated (note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,955	---	---	3,955
Total capital assets not being depreciated	<u>3,955</u>	<u>---</u>	<u>---</u>	<u>3,955</u>
Capital assets being depreciated:				
Buildings	2,555,293	49,959	---	2,605,252
Improvements other than buildings	65,699	---	---	65,699
Furniture and equipment	<u>3,124,710</u>	<u>24,988</u>	<u>---</u>	<u>3,149,698</u>
Total capital assets being depreciated	<u>5,745,702</u>	<u>74,947</u>	<u>---</u>	<u>5,820,649</u>
Less accumulated depreciation for:				
Buildings	1,746,474	37,309	---	1,783,783
Improvements other than buildings	59,005	1,751	---	60,756
Furniture and equipment	<u>2,631,807</u>	<u>172,587</u>	<u>---</u>	<u>2,804,394</u>
Total accumulated depreciation	<u>4,437,286</u>	<u>211,647</u>	<u>---</u>	<u>4,648,933</u>
Total capital assets being depreciated, net	<u>1,308,416</u>	<u>(136,700)</u>	<u>---</u>	<u>1,171,716</u>
Governmental activities capital assets, net	<u>\$ 1,312,371</u>	<u>(136,700)</u>	<u>---</u>	<u>1,175,671</u>

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2004

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 37,460	951	---	38,411
Less accumulated depreciation	<u>17,347</u>	<u>3,201</u>	<u>---</u>	<u>20,548</u>
Business type activities capital assets, net	<u>\$ 20,113</u>	<u>(2,250)</u>	<u>---</u>	<u>17,863</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated	<u>211,647</u>
Total depreciation expense – governmental activities	<u>\$ 211,647</u>

Business type activities:

Food service operations	<u>\$ 3,201</u>
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(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 215,000	---	105,000	110,000	110,000
Early retirement payable	<u>47,771</u>	<u>---</u>	<u>14,272</u>	<u>33,499</u>	<u>13,896</u>
Total	<u>\$ 262,771</u>	<u>---</u>	<u>119,272</u>	<u>143,499</u>	<u>123,896</u>

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2004

Early Retirement

The District offers a voluntary early retirement plan to its certified employees.

Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentive for each eligible employee is equal to a percentage of the employee's base salary based on total years of teaching calculated by using the current year regular salary schedule, less any other pay. Early retirement expenditures for the year ended June 30, 2004 totaled \$14,387.

General Obligation Refunding Bonds Payable

Details of the District's June 30, 2004 general obligation refunding bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of Dec. 1, 1998			
	Interest Rates	Principal	Interest	Total
2005	4.15%	\$ 110,000	4,565	114,565
	=====	=====	=====	=====

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$119,565, \$120,925 and \$124,053, respectively, equal to the required contributions for each year.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2004

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (the Association) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to the Association funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$215,500.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by the Association to protect against large claims, but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2004

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. The Association will pay claims incurred before the termination date.

The District was also a member in Benefits Inc., Iowa Star Schools Insurance which is a local government risk-sharing pool. The District terminated its membership with Benefits Inc. on October 1, 2003. District contributions to Benefits Inc., for the year ended June 30, 2004 were \$60,094. As of June 30, 2004 settled claims have not exceeded the risk pool or reinsurance company coverage.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$117,538 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2004

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District’s programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund				
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Net assets June 30, 2003, as Previously reported	\$ 355,476	7,082	---	460,651	823,209
GASB Interpretation 6 adjustments	---	---	---	---	---
Net assets July 1, 2003, as restated for governmental funds	<u>\$ 355,476</u>	<u>7,082</u>	<u>---</u>	<u>460,651</u>	<u>823,209</u>
GASB 34 adjustments:					
Capital assets, net of accumulated Depreciation of \$4,437,286					1,312,371
Long-term liabilities:					
Bonds					(215,000)
Early retirement					(47,771)
Net assets July 1, 2003, as restated					<u>\$ 1,872,809</u>

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Financial Statements

June 30, 2004

(11) Operating Lease

The West Bend-Mallard Community School District and the City of West Bend entered into an operating lease whereby the District agreed to lease to the City a portion of school grounds containing the swimming pool for a term of five years commencing August 1, 2003. The City shall pay one dollar per year for five years payable on or before each anniversary date, the first payment due August 1, 2003.

Required Supplementary Information

West Bend-Mallard Community School District
Mallard, Iowa

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Receipts:		
Local sources	\$ 2,554,846	77,475
State sources	1,243,373	2,481
Federal sources	<u>177,925</u>	<u>56,768</u>
Total receipts	<u>3,976,144</u>	<u>136,724</u>
Disbursements:		
Instruction	2,337,254	-
Support services	1,159,228	-
Non-instructional programs	21,631	129,560
Other expenditures	<u>391,141</u>	<u>-</u>
Total disbursements	<u>3,909,254</u>	<u>129,560</u>
Excess (deficiency) of receipts over (under) disbursements	66,890	7,164
Other financing sources, net	<u>5,519</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	72,409	7,164
Balances beginning of year	<u>990,832</u>	<u>50,416</u>
Balances end of year	<u>\$ 1,063,241</u>	<u>57,580</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
2,632,321	2,569,671	2,569,671	62,650
1,245,854	1,289,827	1,289,827	(43,973)
234,693	188,005	188,005	46,688
<u>4,112,868</u>	<u>4,047,503</u>	<u>4,047,503</u>	<u>65,365</u>
2,337,254	2,923,360	2,923,360	586,106
1,159,228	1,428,946	1,428,946	269,718
151,191	201,757	201,757	50,566
391,141	240,103	240,103	(151,038)
<u>4,038,814</u>	<u>4,794,166</u>	<u>4,794,166</u>	<u>755,352</u>
74,054	(746,663)	(746,663)	820,717
<u>5,519</u>	<u>-</u>	<u>-</u>	<u>5,519</u>
79,573	(746,663)	(746,663)	826,236
<u>1,041,248</u>	<u>753,776</u>	<u>753,776</u>	<u>287,472</u>
<u>1,120,821</u>	<u>7,113</u>	<u>7,113</u>	<u>1,113,708</u>

West Bend-Mallard Community School District
Mallard, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash <u>Basis</u>	Accrual Adjust- ments	Modified Accrual <u>Basis</u>
Revenues	\$ 3,976,144	(23,871)	3,952,273
Expenditures	<u>3,909,254</u>	<u>90,645</u>	<u>3,999,899</u>
Net	66,890	(114,516)	(47,626)
Other financing sources, net	5,519	-	5,519
Beginning fund balances	<u>990,832</u>	<u>(167,623)</u>	<u>823,209</u>
Ending fund balances	<u>\$ 1,063,241</u>	<u>(282,139)</u>	<u>781,102</u>

	Proprietary Fund		
	Enterprise		
	Cash <u>Basis</u>	Accrual Adjust- ments	Accrual <u>Basis</u>
Revenues	\$ 136,724	15,947	152,671
Expenses	<u>129,560</u>	<u>18,750</u>	<u>148,310</u>
Net	7,164	(2,803)	4,361
Beginning net assets	<u>50,416</u>	<u>21,631</u>	<u>72,047</u>
Ending net assets	<u>\$ 57,580</u>	<u>18,828</u>	<u>76,408</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District
Mallard, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, disbursements in the other expenditures function exceeded the amount budgeted.

Other Supplementary Information

West Bend-Mallard Community School District
Mallard, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2004

Assets	Manage- ment <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Cash and pooled investments	\$ 222,146	64,733	161,497	448,376
Receivables:				
Property tax:				
Delinquent	1,637	-	2,204	3,841
Succeeding year	75,000	-	84,000	159,000
Due from other funds	<u>6,920</u>	<u>-</u>	<u>2,433</u>	<u>9,353</u>
Total assets	<u><u>\$ 305,703</u></u>	<u><u>64,733</u></u>	<u><u>250,134</u></u>	<u><u>620,570</u></u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	40,536	40,536
Salaries and benefits payable	132	-	-	132
Early retirement payable	4,045	-	-	4,045
Deferred revenue:				
Succeeding year property tax	<u>75,000</u>	<u>-</u>	<u>84,000</u>	<u>159,000</u>
Total liabilities	79,177	-	124,536	203,713
Fund equity:				
Unreserved fund balances	<u>226,526</u>	<u>64,733</u>	<u>125,598</u>	<u>416,857</u>
Total liabilities and fund equity	<u><u>\$ 305,703</u></u>	<u><u>64,733</u></u>	<u><u>250,134</u></u>	<u><u>620,570</u></u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District
Mallard, Iowa

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2004

	Manage- ment <u>Levy</u>	Student <u>Activity</u>	Plant and Equipment <u>Levy</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 74,696	-	145,622	220,318
Other	2,281	205,735	2,169	210,185
State sources	<u>39</u>	<u>-</u>	<u>52</u>	<u>91</u>
Total revenues	<u>77,016</u>	<u>205,735</u>	<u>147,843</u>	<u>430,594</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	28,722	-	-	28,722
Other instruction	-	199,586	-	199,586
Support services:				
Student services	18	-	-	18
Instructional staff services	21	-	-	21
Administration services	754	-	-	754
Operation and maintenance of plant services	36,105	-	-	36,105
Transportation	9,137	-	-	9,137
Non-instructional programs	26	-	-	26
Other expenditures:				
Facilities acquisition	<u>-</u>	<u>-</u>	<u>200,019</u>	<u>200,019</u>
Total expenditures	<u>74,783</u>	<u>199,586</u>	<u>200,019</u>	<u>474,388</u>
Excess (deficiency) of revenues over (under) expenditures	2,233	6,149	(52,176)	(43,794)
Fund balances beginning of year, as restated	<u>224,293</u>	<u>58,584</u>	<u>177,774</u>	<u>460,651</u>
Fund balances end of year	<u>\$ 226,526</u>	<u>64,733</u>	<u>125,598</u>	<u>416,857</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District
Mallard, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Athletics - West Bend	\$ 3,397	67,692	66,413	4,676
Weightlifting	3,747	227	3,932	42
Padlock-Athletics-West Bend	808	15	-	823
Towel Fees-Athletics-West Bend	2,309	829	755	2,383
Dramatics	159	3,130	3,133	156
Annual	5,563	6,226	3,559	8,230
Class of:				
2004	506	312	808	10
2005	15	-	-	15
2006	131	11,047	9,648	1,530
2007	103	-	-	103
Vocal Music	1,237	-	-	1,237
Band	488	257	209	536
Swing Choir	2	-	-	2
Flagline	250	129	-	379
Cheerleading - West Bend	709	3,209	2,989	929
Drill Team	2,333	15,608	16,332	1,609
FFA	8,184	28,691	29,330	7,545
Concession Stand	1,231	-	-	1,231
Student Council - West Bend	528	12,627	13,117	38
WBM-TV	496	214	88	622
Home Economics	209	65	65	209
Pep Bus	928	-	-	928
NOW Account Interest	2,061	1,185	530	2,716
FFA Special	1,586	16,482	14,497	3,571
Elementary Classes	860	564	236	1,188
Industrial Ed	295	-	-	295
Life Skills	323	-	-	323
Cheerleading - Mallard	170	483	569	84

West Bend-Mallard Community School District
Mallard, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Four x Four Shop	1,385	1,955	1,856	1,484
Four x Four Shop - Second	658	1,367	82	1,943
Spanish Club	7	-	-	7
Design Plus	6,000	7,188	11,281	1,907
Drama - Speech	10	-	-	10
Music	69	954	966	57
Locks-Athletics-Mallard	149	15	-	164
Towel Fees-Athletics-Mallard	633	342	-	975
Field Trips	27	336	345	18
M.S. Programs	5,183	9,376	7,994	6,565
M.S. Classes	1,463	1,512	1,730	1,245
Student Council - Mallard	1,052	11,368	7,055	5,365
Interest	1,984	275	-	2,259
Athletics - Mallard	1,067	2,055	2,067	1,055
Little League	269	-	-	269
	<u>269</u>	<u>-</u>	<u>-</u>	<u>269</u>
 Total	 <u>\$ 58,584</u>	 <u>205,735</u>	 <u>199,586</u>	 <u>64,733</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District
Mallard, Iowa

Schedule 4

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund

Year ended June 30, 2004

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 70,798	100,844	155,314	16,328
Total assets	<u>\$ 70,798</u>	<u>100,844</u>	<u>155,314</u>	<u>16,328</u>
Liabilities				
Other payables	\$ 70,798	100,844	155,314	16,328
Total liabilities	<u>\$ 70,798</u>	<u>100,844</u>	<u>155,314</u>	<u>16,328</u>

See accompanying independent auditor's report.

West Bend-Mallard Community School District
Mallard, Iowa

Schedule 5

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Two Years

		Modified Accrual Basis	
		<u>2004</u>	<u>2003</u>
Revenues:			
Local sources:			
Local tax		\$ 2,081,984	2,085,579
Tuition		246,565	223,348
Other		240,563	266,260
State sources		1,238,204	1,308,225
Federal sources		144,957	284,366
Total		<u>\$ 3,952,273</u>	<u>4,167,778</u>
Expenditures:			
Instruction:			
Regular instruction		\$ 1,249,954	1,209,420
Special instruction		494,345	441,863
Other instruction		612,317	675,520
Support services:			
Student services		71,936	69,406
Instructional staff services		144,404	124,455
Administration services		507,787	462,999
Operation and maintenance of plant services		298,720	305,716
Transportation services		158,513	211,613
Central support services		10,668	38,963
Non-instructional programs		19,578	35,755
Other expenditures:			
Facilities acquisition		200,019	189,709
Long-term debt:			
Principal		105,000	114,167
Interest and other charges		9,120	13,873
AEA flowthrough		117,538	127,947
Total		<u>\$ 3,999,899</u>	<u>4,021,406</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Education of
West Bend-Mallard Community School District:

We have audited the financial statements of West Bend-Mallard Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 2, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether West Bend-Mallard Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for item II-B-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Bend-Mallard Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04, is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Bend-Mallard Community School District and other parties to whom West Bend-Mallard Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Bend-Mallard Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CORNWELL & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

September 2, 2004

West Bend-Mallard Community School District
Mallard, Iowa

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the General Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported:

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation

of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We are doing everything we can within our situation and make improvements as the situation changes.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

West Bend-Mallard Community School District
Mallard, Iowa

Schedule of Findings

Year ended June 30, 2004

- I-B-04 Disbursement Approval – For a few transactions, there was insufficient documentation to determine the date the Board President approved routine expenditures for advance payment in accordance with the District’s policy.

Recommendation – The District should ensure that all expenditures are properly approved. For payments made in advance of Board meetings, the District should maintain documentation of the Board President’s approval of claims for payment, such as the President’s initials and date of approval. The District should also review the list of bills presented to the Board at regular meetings to ensure that all claims are included.

Response – We will ensure all expenditures are properly approved and maintain documentation of the approval of disbursements made in advance of Board approval by having the Board President initial and date the claims.

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

- II-A-04 Official Depositories - Official depositories have been approved by the District.

The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

- II-B-04 Certified Budget - Disbursements for the year ended June 30, 2004, exceeded the certified budget amount in the other expenditures function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts and in proper functional areas to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

West Bend-Mallard Community School District
Mallard, Iowa

Schedule of Findings

Year ended June 30, 2004

- II-C-04 Questionable Disbursements - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-04 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure the coverage is adequate for current operations.
- II-G-04 Board Minutes - As previously noted, some transactions had insufficient documentation that had been approved for payment by the Board President in advance of the Board meeting.
- Recommendation - All expenditures should be approved by the Board, with sufficient documentation maintained to evidence proper approval.
- Response - All expenditures will be approved by the Board prior to payment and procedures have been revised to ensure this is adequately documented.
- Conclusion - Response accepted.
- II-H-04 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-04 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-04 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.